

# ITG News



Keeping First Nations Informed

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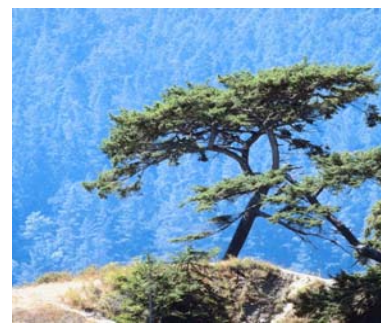
## Focus on Form 1042

The office of Indian Tribal Governments (ITG) has embarked on an initiative to improve compliance with the withholding requirements relating to funds paid to non-resident aliens. In general, all such payments require the payer to withhold 30% and provide the recipient with Form 1042-S which they will use to report the income and claim the withholding. For Tribal governments, withholding and the preparation of Form 1042-S is generally required when a governmental entity remits funds to a foreign vendor, foreign patron, and/or foreign entertainer.

Form 1042 is the income tax return for reporting the liability for non-resident alien withholding tax, the amounts withheld, the reportable amounts paid to foreign persons and any credit claimed for amounts withheld by other withholding agents. Form 1042 is due on March 15th of the year following the year of the payment. All Forms 1042 are required to be filed on a calendar year basis and consolidation of separate legal entities for Form 1042 filing purposes is NOT permitted.

Questions often arise concerning how a tribe may recognize that someone is a non-resident alien. In general, this should be addressed at the time the tribe secures a Form W-9 from a vendor or entertainer, or secures identification from a patron. While we recognize that some payments, such as slot jackpots at a casino, may not create a need for identification, it is important that the tribal entity exercise due diligence and ensure that its cage or player tracking systems have processes that can identify these patrons and impose the correct withholding and reporting.

Over the next several months, ITG will be specifically addressing this area in outreach seminars, compliance checks, and examinations. If you have questions or concerns about requirements to withhold on payments to nonresident aliens or on filing Forms 1042/1042-S, you should contact your designated ITG Specialist as soon as possible. A [current list of ITG Specialists](#) is maintained on the ITG web site and includes their telephone numbers and business hours.



### *Special Rules Apply to Withholding and Reporting on Payments to Non-Resident Aliens*

#### IN THIS ISSUE

Focus on Form 1042	1
Tax Calendar for the 2nd Quarter 2009	2/3
Correcting Employment Tax Errors	4
Joint Federal/Tribal Investigation Leads to Indictments, Guilty Plea	5/6
New Withholding Tables for Employers	7
COBRA Medical Coverage Credit Information	8
Reducing Contact With IRS	9
Casino Free Play Rules	9
New Rule Reduces Casino CTRC Filings	10
Director's Message	11
Spokane ET Workshop	12
Future ET Workshops	13
Taxability of FICA Refunds	13
Tax News For You!	14-16
ITG Specialist Contacts	17

#### Upcoming Events

Consultation Listening Meeting	July 15th—Tulsa, Oklahoma
Consultation Listening Meeting	August 12th—Albuquerque, New Mexico



# Federal Tax Calendar for Second Quarter 2009

## April 2009

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1 * Make a deposit for 3/25-3/27	2	3 * Make a deposit for 3/28-3/31	4
5	6	7	8 * Make a deposit for 4/1-4/3	9	10 * Make a deposit for 4/4-4/7 Employees report March tip income to employers if \$20 or more	11
12	13	14	15 * Make a deposit for 4/8-4/10 ** make a deposit for March if under the monthly deposit rule	16	17	18
19	20 * Make a deposit for 4/11-4/14	21	22 * Make a deposit for 4/15-4/17	23	24 * Make a deposit for 4/18-4/21	25
26	27	28	29 * Make a deposit for 4/22-4/24	30		

File Form 730 for wages received during March  
File Form 941 for the first quarter of 2009

## May 2009

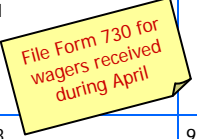
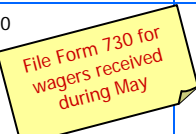
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1 * Make a deposit for 4/25-4/28	2
3	4	5	6 * Make a deposit for 4/29-5/1	7	8 * Make a deposit for 5/2-5/5	9
10	11 Employees report April tip income to employers if \$20 or more	12	13 * Make a deposit for 5/6-5/8	14	15 * Make a deposit for 5/9-5/12 ** make a deposit for April if under the monthly deposit rule	16
17	18	19	20 * Make a deposit for 5/13-5/15	21	22 * Make a deposit for 5/16-5/19	23
24	25	26	27	28 * Make a deposit for 5/20-5/22	29 * Make a deposit for 5/23-5/26	30
31						

\* = Make a Payroll Deposit if you are under the semi-weekly deposit rule.

\*\*= Make a Monthly Deposit if you qualify under that rule.



## June 2009

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1 	2	3 * Make a deposit for 5/27-5/29	4	5 * Make a deposit for 5/30-6/2	6
7	8	9	10 * Make a deposit for 6/3-6/5  Employees report May tip income to employers if \$20 or more	11	12 * Make a deposit for 6/6-6/9	13
14	15 ** make a deposit for May if under the monthly deposit rule	16	17 * Make a deposit for 6/10-6/12	18	19 * Make a deposit for 6/13-6/16	20
21	22	23	24 * Make a deposit for 6/17-6/19	25	26 * Make a deposit for 6/20-6/23	27
28	29	30 				

\* = Make a Payroll Deposit if you are under the semi-weekly deposit rule.

\*\* = Make a Monthly Deposit if you qualify under that rule.

NOTE: Deposits made through EFTPS must be initiated at least one day prior to the due dates listed above in order to be timely.

## Return Filing Dates

### April 30th

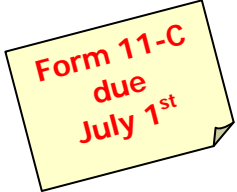
- > File Form 730 and pay the tax on applicable wagers accepted during March.
- > File Form 941 for the 1st quarter of 2009. If all deposits paid on time and in full, file by May 11th.

### June 1st

- > File Form 730 and pay the tax on applicable wagers accepted during April.

### June 30th

- > File Form 730 and pay the tax on applicable wagers accepted during May.



**Form 11-C  
due  
July 1<sup>st</sup>**

### July 1st

- > File Form 11-C to register and pay the annual tax if you are in the business of taking wagers.
- > Remind Pull-tab sellers that they also have to file Form 11-C to register and pay this annual tax as "agents."



## Correcting Employment Tax Errors

The Internal Revenue Service has revised the process for correcting Employment Tax errors, except for adjustments relating to unreported tip income from prior tax periods. Adjustments relating to unreported tip income will continue to be reported on the Form 941 for the current calendar quarter (the quarter for which the entity received a Notice and Demand) using Line 7c.

To correct all other employment tax errors, use the new corresponding "X" forms listed below to correct employment tax errors as soon as they are discovered. For example, use the new Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund, to correct errors on a previously filed Form 941.

For overpayments - Employers can choose to make an adjustment or claim a refund on the corresponding "X" form.

For underpayments - Employers correcting an underpayment must use the corresponding "X" form. Amounts owed must be paid by the receipt of the return. Payments can be made using [EFTPS](#), by sending a check, or by [credit card](#).

### 94X Series Adjusted Tax Forms

Return previously filed	Corresponding 94X series form
<a href="#">Form 941, Employer's Quarterly Federal Tax Return</a> (PDF)	<a href="#">Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund</a> , <a href="#">Instructions</a>
<a href="#">Form 943, Employer's Annual Federal Tax Return for Agricultural Employees</a> (PDF)	<a href="#">Form 943-X, Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund</a> , <a href="#">Instructions</a>
<a href="#">Form 944, Employer's Annual Federal Tax Return</a> (PDF)	<a href="#">Form 944-X, Adjusted Employer's Annual Federal Tax Return or Claim for Refund</a> , <a href="#">Instructions</a>
<a href="#">Form 945, Annual Return of Withheld Federal Income Tax</a> (PDF)	<a href="#">Form 945-X, Adjusted Annual Return of Withheld Federal Income Tax or Claim for Refund</a> , <a href="#">Instructions</a>

**Note:** [Form 940, Employer's Annual Federal Unemployment \(FUTA\) Tax Return](#) (PDF) is used to file amended Form 940 returns .

If you have any questions or encounter any difficulties in regard to the new correction process, please contact your [designated ITG Specialist](#).

## Employee Tip Income Program Questions

ITG has a full-time Tip Coordinator to assist you with any questions about tip reporting agreements. If you are interested in securing a Tip Agreement, have questions concerning your existing agreement, or have received a notice about tip reporting responsibilities that is unclear, please contact Suzanne Perry at (602) 207-8254.





## **Co-Founder of Casino-Cheating Criminal Enterprise Pleads Guilty to Racketeering Conspiracy Targeting Indian Casinos**

Tai Khiem Tran, 47, pleaded guilty on February 13th to conspiring to participate in a racketeering enterprise, the "Tran Organization," in a scheme to cheat casinos across the United States and Canada. Tran admitted that he and his co-conspirators unlawfully obtained up to \$1 million during card cheats.

A three-count indictment was returned May 22, 2007, and unsealed in the Southern District of California on May 24, 2007, charging Tran and 13 others each with one count of conspiracy to participate in the affairs of a racketeering enterprise; one count of conspiracy to commit several offenses against the United States, including conspiracy to steal money and other property from Indian tribal casinos; and one count of conspiracy to commit money laundering. The indictment also charged five separate individuals each with one count of conspiracy to commit several offenses against the United States, including conspiracy to steal money and other property from Indian tribal casinos; and one count of conspiracy to commit money laundering.

In his plea agreement, Tran admitted that on numerous occasions between approximately August 2002 and June 2005, he participated in gambling cheats together with other alleged members of the Tran Organization at casinos in California and Canada. Tran admitted to targeting at least seven Casinos in the racketeering conspiracy, including:

- Agua Caliente Casino, in Palm Springs, Calif.;
- Barona Valley Ranch Resort and Casino, in Lakeside, Calif.;
- Cache Creek Casino Resort, in Brooks, Calif.;
- Casino Rama, in Orillia, Ontario, Canada;
- Pechanga Resort and Casino, in Temecula, Calif.;
- Spa Resort Casino, in Palm Springs, Calif.; and
- Sycuan Casino, in El Cajon, Calif.

According to the indictment, the defendants and others executed a "false shuffle" cheating scheme at casinos in the United States and Canada during blackjack and mini-baccarat games. The indictment alleges that members of the criminal organization bribed casino card dealers and supervisors to perform false shuffles during card games, thereby creating "slugs" or groups, of un-shuffled cards. The indictment also alleges that after tracking the order of cards dealt in a card game, a member of the organization would signal to the card dealer to perform a "false shuffle," and members of the group would then bet on the known order of cards when the slug appeared on the table. By doing so, members of the conspiracy repeatedly won thousands of dollars during card games, including winning up to \$868,000 on one occasion.

The indictment also alleges that the members of the organization used sophisticated mechanisms for tracking the order of cards during games, including hidden transmitter devices and specially created software that would predict the order in which cards would reappear during mini-baccarat and blackjack games.

continued on page 6. . . . .



## **Co-Founder of Casino-Cheating Criminal Enterprise Pleads Guilty to Racketeering Conspiracy Targeting Indian Casinos**

.....continued from page 5

An indictment is merely an allegation and is not evidence of guilt. A defendant is entitled to a fair trial in which it will be the government's burden to prove guilt beyond a reasonable doubt.

Tran's sentencing is scheduled for July 13, 2009, in San Diego before U.S. District Judge John A. Houston. At sentencing, Tran faces a maximum sentence of 20 years in prison on the racketeering conspiracy charge. Tran agreed to a personal money judgment in the amount of \$823,612, which will be entered by way of a preliminary order of forfeiture. He also acknowledged that the restitution that he may be ordered to pay by the court at sentencing is not limited by the forfeiture amount. Tran agreed to the forfeiture of his interests in various pieces of jewelry. Tran was also charged in Orillia, Ontario, Canada for his admitted cheating activities at Casino Rama.

A second indictment has alleged that 11 additional defendants conspired to commit offenses on behalf of the Tran Organization. A one-count indictment, unsealed in the Southern District of California on Sept. 11, 2008, charged Bryan Arce; Don Man Duong; Hogan Ho; Thang Viet Huynh; Outtama Keovongsa; Leap Kong, a/k/a Lanida Kong; Qua Le; Khunsela Prom, a/k/a Danny Prom; James Root; Darrell Saicocie; and Dan Thich each with one count of conspiracy to commit several offenses against the United States, including conspiracy to steal money and other property from Indian tribal casinos, and conspiracy to travel in interstate and foreign commerce in aid of racketeering.

To date, 26 defendants, including Tran, have pleaded guilty to charges relating to the casino-cheating conspiracy: Phuong Quoc Truong; Anh Phuong Tran; Phat Ngoc Tran; Martin Lee Aronson; Liem Thanh Lam; George Michael Lee; Tien Duc Vu; Son Hong Johnson; Barry Wellford; Willy Tran; Tuan Mong Le; Duc Cong Nguyen; Han Truong Nguyen; Roderick Vang Thor; Sisouvanh Mounlasy; Navin Nith, Renee Cuc Quang; Ui Suk Weller; Phally Ly; Khunsela Prom; Hop Nguyen; Hogan Ho; Darrell Saicocie; Bryan Arce; and Qua Le. These defendants admitted to targeting, with the aid of coconspirators, a combined total of approximately 24 casinos during the course of the conspiracy.

The case is being investigated by the FBI's San Diego Field Office; the Internal Revenue Service-Criminal Investigation; the San Diego Sheriff's Department; and the California Department of Justice's Bureau of Gambling Control. The investigation has received assistance from federal, state, tribal and foreign authorities, including: The Ontario Provincial Police; the National Indian Gaming Commission; the U.S. Attorney's Office for the Western District of Washington; FBI Resident Agencies in Gulfport, Miss., Tacoma, Wash., and Toledo, Ohio; the Indiana State Police; the Rumsey Rancheria Tribal Gaming Agency; the Sycuan Gaming Commission; the Barona Gaming Commission; the Mississippi Gaming Commission; and the Washington State Gambling Commission.

### **Reporting Abuses/Schemes**

We continue to work with tribes and tribal officials to address financial abuses and schemes being promoted in Indian country. Working together can help ensure the integrity of tribal finances and eliminate the threats posed by individuals with schemes that appear "too good to be true" and often are. If you are aware of financial impropriety or of a promoter advocating a scheme that appears highly suspect, you can contact the ITG Abuse Detection and Prevention Team at (716) 686-4860 or via e-mail at [tege.itg.schemes@irs.gov](mailto:tege.itg.schemes@irs.gov)



## New Withholding Tables for Employers

The Internal Revenue Service released updated withholding tables that will result in more take-home pay this spring for millions of American workers.

These tables incorporate the new Making Work Pay credit, one of the key tax provisions included in the American Recovery and Reinvestment Act of 2009 that became law in February.

“For most taxpayers, the additional credit will automatically start showing up in their paychecks this spring,” said IRS Commissioner Doug Shulman. “Since employers and payroll companies will handle this change, people typically won’t need to take any additional action. The IRS will continue working to implement this and other provisions of the new law as quickly as possible.”



The revised withholding tables, along with other instructions related to the recent tax law, will be incorporated in [Publication 15-T, New Wage Withholding and Advanced Earned Income Credit Payment Tables](#). This publication is posted to the IRS web site and was mailed to more than 9 million employers in mid-March. The IRS asks that employers start using these new tables as soon as possible but not later than April 1. Most workers will see a boost in their take-home pay soon thereafter.

Eligible workers will get the benefit of this change without any action on their part. The means that workers don’t need to fill out a new W-4 withholding form to get the Making Work Pay credit reflected in their take-home pay. A Form W-4 will not need to be submitted for the automatic withholding change. Individuals and couples with multiple jobs may want to submit revised [Form W-4](#) forms to ensure enough withholding is held to cover the tax for the combined income. Publication 919 provides additional guidance for tax withholding.

Available for tax years 2009 and 2010, the Making Work Pay credit is 6.2 percent of a taxpayer’s earned income with a maximum credit of \$800 for married couple filing a joint return and \$400 for other taxpayers, but it is phased out for higher income taxpayers. Most workers will qualify for the maximum credit. Because the credit is refundable (people can get it even if they owe no tax), most low-income workers will also qualify for the full credit.

Though all eligible taxpayers will need to claim the credit when they file their 2009 income tax return next year, the benefit will generally be spread out over the paychecks they receive beginning this spring and continue until the end of the year.

Many higher-income taxpayers will see little or no change in their take-home pay. That’s because the Making Work Pay credit is phased out for a married couple filing a joint return whose modified adjusted gross income (AGI) is between \$150,000 and \$190,000 and other taxpayers whose modified AGI is between \$75,000 and \$95,000.

Taxpayers will not get a separate, special check mailed to them from the IRS like last year’s economic stimulus payment.



## **IRS Releases Information to Help Employers Claim COBRA Medical Coverage Credit on Payroll Tax Form**

The Internal Revenue Service has released new detailed information that will help employers claim credit for the COBRA medical premiums they pay for their former employees. The IRS has unveiled [new information](#) on their web site, [www.irs.gov](http://www.irs.gov), that includes an extensive set of [questions and answers](#) for employers. In addition, the Web site contains a revised version of the quarterly payroll tax return that employers will use to claim credit for the COBRA medical premiums they pay for their former employees.

[Form 941](#), *Employer's Quarterly Federal Tax Return*, was sent to employers in mid-March. The form is used to claim the new COBRA premium assistance payments credit beginning with the first quarter of 2009.

The American Recovery and Reinvestment Act of 2009 includes changes to the health benefit provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, commonly referred to as COBRA. The new law will affect former employees and their families, employers and others involved in providing COBRA coverage.

Under the new law, eligible former employees, enrolled in their employer's health plan at the time they lost their jobs, are required to pay only 35 percent of the cost of COBRA coverage. Employers must treat the 35 percent payment by eligible former employees as full payment, but the employers are entitled to a credit for the other 65 percent of the COBRA cost on their payroll tax return.

Employers must maintain supporting documentation for the credit claimed. This includes:

- Documentation of receipt of the employee's 35 percent share of the premium.
- In the case of insured plans: A copy of invoice or other supporting statement from the insurance carrier and proof of timely payment of the full premium to the insurance carrier.
- Declaration of the former employee's involuntary termination.

COBRA provides certain former employees, retirees, spouses, former spouses and dependent children the right to temporary continuation of health coverage at group rates. COBRA generally covers health plans maintained by private-sector employers with 20 or more full and part-time employees. It also covers employee organizations or federal, state or local governments. It does not apply to churches and certain religious organizations. The new COBRA subsidy provisions also apply to insurers required to offer continuation coverage under state law similar to the federal COBRA. However, there is a question whether the subsidy can be utilized in regard to tribal employees covered by a "government" plan. We are currently seeking legal guidance on that issue, and will share it with tribes as soon as guidance is available.

More information about COBRA payments and the new law is available on [www.dol.gov](http://www.dol.gov).





## Reduce Unnecessary Contacts with the IRS

Tribal entities with tipped employees can reduce unnecessary contacts with the IRS simply by reporting all employee tips as "social security tips" on all required federal tax forms. Even if your entity processes some or all of the tips through payroll, the tips should still be reported as "social security tips" (with one exception noted at the end of this article).

As part of monitoring by the IRS to insure tax law compliance, Indian Tribal Governments (ITG) reviews the tips reported by tribal entities on their federal tax forms. For tip compliance issues, ITG reviews the amount of employee social security tips reported on Forms 941, *Employers Quarterly Federal Tax Return*; W-2, *Wage and Tax Statement*; and W-3, *Transmittal of Wage and Tax Statement*. All employee tips, except those exceeding the social security wage base, should be reported separately as social security tips on *line 5b* of Form 941, and on *line 7* of Forms W-2 and W-3.

If the reported social security tips appear to be unusually low, all available information on the entity will be further examined to determine if contact is warranted. If the apparent issue cannot be resolved internally, ITG may investigate the issue with telephone calls, letters, or assignment of a case to the field for resolution.

As mentioned previously, there is one exception to reporting certain payments as social security tips. In accordance with *Revenue Ruling 66-74, 1966-1 C.B. 229*, mandatory service charges or gratuities required by the business and paid directly to the business by the customer are considered wages rather than tips.

*If you have been reporting social security tips as wages, or if you have any questions related to tip reporting, please contact the ITG Tip Compliance Coordinator Suzanne Perry at (602) 207-8254 or via e-mail at [Suzanne.V.Perry@irs.gov](mailto:Suzanne.V.Perry@irs.gov).*

## Casino Free Play is Not a Wagering Loss

We recently identified a problem with certain software being used by some casinos to track and report wins and losses from customer wagers. The specific problem relates to "Free Play" dollars given to customers. The software counts the Free Play funds (in one case called "Personal Banker Transactions") as wagers by the customer, as though made with the customer's own funds. They are listed on the Annual statements as "Dollars In" or "Loss." Since the amount wagered under Free Play is not an actual wager of the customer's money, it is not considered as a loss. In one specific case, the system generates a disclaimer that states that the "Dollars In" amount may not be an accurate representation of investment.

Gambling losses can only be deducted to the extent of gambling winnings. However, free play funds are not losses, since free play money is given to the customer as an incentive to play. Due to the fact that the actual "free play" cannot be redeemed for real money, it is not reportable on Form 1099 as income. However, winnings from Free Play are reportable as income to the customer and are required to be reported on the appropriate information return, such as a W-2G or 1042S, the same as any other gambling winnings.

If the annual statements generated by the software are used for tax purposes, the "dollars in" number is overstating the customer losses and essentially misleading the customer to declare more losses than they actually had.

Since Free Play is a common marketing tool - one that may grow in popularity in the current economic decline - casinos should review their software and reporting procedures to ensure that they are not providing information that overstates losses and misleads customers into claiming losses they did not incur.



## **New Rule Has Dramatically Reduced Casino CTRC Filings**

The Financial Crimes Enforcement Network (FinCEN) reported in a new study that the number of currency transaction reports filed by casinos (CTRCs) fell by more than a third after FinCEN reduced reporting requirements on certain categories of transactions that FinCEN had determined do not pose a significant risk for money laundering, terrorist financing, or tax evasion.

As demonstrated by this latest report, FinCEN is committed to providing feedback to its regulated industries within 18 months of the effective date of new rules or changes to existing regulations as part of the bureau's efficient and effective administration of the Bank Secrecy Act.

"FinCEN is working with industry so that casinos and all financial institutions can focus their attention on areas with greater likelihood of fraud, terror financing and money laundering rather than spending time on redundant filings," FinCEN Director James H. Freis, Jr. said in announcing the study entitled [An Assessment of Currency Transaction Reports Filed by Casinos between July 1, 2006 and June 30, 2008](#). "This report - together with casino reporting rule changes - shows how FinCEN and industry are working jointly to focus where there is greater risk."

The number of CTRC filings during the period from July 2007 through June 2008 dropped by 35 percent, or 285,000, after FinCEN issued a rule exempting jackpots from slot machines and video lottery terminals. FinCEN compared filings during the period from July 2007 through June 2008 with filings during the 12-month period preceding issuance of the rule. During the period from July 2007 through June 2008, the number of filings on cash out payments from jackpots on wagers in slot machines and video lottery terminals fell to 112,027, a decrease of 74 percent, from 426,325 during the 12-month period preceding issuance of the rule.

The reasoning behind the 2007 rule change was that jackpot winnings in excess of \$10,000 at slot machines or video lottery terminals are random and not likely to be part of a scheme to launder funds through the casino. Further, winnings on jackpots of \$1,200 or more must be reported to the Internal Revenue Service.

The rule also excluded currency transactions exceeding \$10,000 conducted between casinos and currency dealers or exchangers, and between casinos and check cashers, which are routine and contractual casino business transactions. Requiring a casino to file CTRCs for these transactions resulted in duplicative reporting since currency dealers or exchangers and check cashers are already required to file CTRs on these transactions. The 2007 rule change eliminated this duplication of effort.

The drop in CTRC filings confirms the expected results of the rule change to promote more efficient allocation of resources by the casino industry and the government while effectively getting law enforcement information necessary to pursue the common goal of fighting crime, terrorist financing, and other illicit activity.

This study also evaluated the quality of CTRC filings. A higher quality of CTRC reporting increases the usefulness to law enforcement in criminal, tax, regulatory and counterterrorism investigations.

### **Past Issues of ITG Newsletter Available**

Remember that past issues of the ITG Newsletter can be found by going to [www.irs.gov/tribes](http://www.irs.gov/tribes) and clicking on the "Newsletters" link. Ours is the Pacific Northwest Edition.



## Message from the Director

We recently completed a thorough analysis of the feedback given by tribes through our annual Customer Satisfaction Survey. While the overall feedback was very positive, we were able to identify a number of areas where we can improve through the development of new products or the modification of existing processes.

One specific change involves ITG News. As you may have noted, this Message is no longer on the front page. That is the result of changes we are making to the newsletter, through the addition of more technical content, and placing the most critical information in the front sections. We will be transitioning to this format over the next few issues.

We will also be making enhancements to the ITG web site with a major focus on making more information readily available on current issues. Critical news items will also be disseminated via Special Editions of ITG News so that you do not need to search the web site or wait for the next quarterly issuance.

We will be instituting a process that will guarantee a return telephone call from our staff within 24 business hours. We continue to encourage tribes to use the [contact information](#) that is available from the ITG web site, but if you cannot reach your designated ITG Specialist, we will return your call no later than the next business day.

We will be seeking to expand our regional 2 day Employment Tax seminars that were piloted last year in Alaska and the Southwest. We hope to schedule 10 or more of them later this fiscal year, and tribes will be able to sign up attendees on-line.

Finally, we are in the preliminary stages of developing a kit to help tribes get their payroll processing back in operation in the event of a sudden disruption, such as unplanned staff turnover or a loss of records. This initiative, known as PREPARE (Payroll Resumption Emergency Procedures and Reporting Essentials), is designed to provide a tribe with immediate assistance to mitigate any potential tax or penalty issues that might arise. We plan to implement this in the summer of 2009.

As always, I welcome your feedback and further suggestions on how we can best address federal tax administration needs for Tribes. I can be contacted at any time at 202-283-9800 or via e-mail at [Christie.Jacobs@irs.gov](mailto:Christie.Jacobs@irs.gov).

*Christie Jacobs*



## Summer Employment Tax Workshop In Spokane Area

As promised, the IRS Office of Indian Tribal Government will be offering another Employment Tax Workshop —this time in the Spokane Area. It will be held in July or August, and we are currently looking for a place to hold it. If you have a room that would hold around 25 people and are willing to offer the space free of charge for two days, please let me know as soon as possible. The presenters will be John Mandeville and Melodie Gren, both from the Spokane ITG Office.

This workshop will address the same topics as the one held in November:

- Defining Employees vs. Independent Contractors
- Computing the correct taxes for payroll
- Completing the Form 941 Quarterly Employment Tax Return
- Making federal tax deposits
- Due dates for tax returns
- Completing forms W-2/W-3 and 1099/1096
- Reconciling Forms 941 and W-2 at year end
- Avoiding penalties
- Meeting rules for an accountable plan for per diem & travel reimbursements
- Form 945 and 1042 withholding requirements

The workshop itself is free of charge, but you will be responsible for the costs of travel, meals and lodging.

When the details have been finalized, we will send out registration information. If you have any questions or would like to offer space for the training, please contact Melodie Gren by telephone at 509-353-0824, by email at [melodie.f.gren@irs.gov](mailto:melodie.f.gren@irs.gov), or by fax at 509-353-2188.

We hope to see you there!

## Phone Number Change

John Mandeville, an ITG Specialist in Spokane, WA has changed his telephone number. It is now **509-353-0821**. He is still serving the same tribes and is available to assist you at any time.

## Self-Assess Your Federal Tax Compliance Risks

Tribal entities can now self-assess their federal tax compliance and work with ITG to address any problems they uncover. Entities electing to participate receive a fillable template from ITG and are provided with the name of a local ITG Specialist who will serve as their resource during the process.

Information on the program, as well as an on-line request form, are available through the "Self Assess Tribal Tax Compliance" link on the right-hand side of the ITG web site landing page at [www.irs.gov/tribes](http://www.irs.gov/tribes), or you can make an inquiry about the program via e-mail to [tege.itg.tefac@irs.gov](mailto:tege.itg.tefac@irs.gov).





## **Future Employment Tax Workshops**

In addition to having an Employment Tax Workshop in the Spokane area this summer, we are also available to hold Employment Tax workshops anywhere in Idaho, Oregon, and Washington as long as there is a room available in which to hold the workshop that is free of charge to IRS and you can provide between 20 and 25 attendees. If you would like to have us come out, please let us know. Our contact information is on page 17 of this newsletter or you can reply to Melodie Gren by email at [melodie.f.gren@irs.gov](mailto:melodie.f.gren@irs.gov).

This is a great opportunity for those Tribes that have several offices with an accounting staff, such as the Tribal government office itself, a housing authority, health clinic, and any business enterprise that the Tribe may have. The information in this workshop is probably too basic for seasoned employees (unless you'd like a refresher of the basics) and CPAs.

We look forward to holding many of these workshops in the future!

## **Taxability of FICA Refunds**

Revenue Ruling 59-354 sets out the nature of payments made to Tribal Council members for their service to the Tribe. It states that Tribal Council members are employees of the Tribe and that payments made to them are taxable wages for Federal Income Tax purposes. However, they are not wages for purposes of Social Security and Medicare taxes, so Tribes are not required to withhold or pay those FICA taxes on Tribal Council members pay. This applies only to Tribal Councils and not to other boards, councils or commissions of the Tribe.

If a Tribe has been withholding and paying FICA for Tribal Council members, a Form 941X can be filed to request a refund of the FICA tax along with an explanation that Rev Rul 59-354 applies. The Tribe may file for a refund of both the Tribe's portion of the tax as well as the Council members' portion. The Tribe must secure a letter from each Council member affected that the member gives the Tribe permission to request the refund for them and that they will not apply for a refund on their own.

The refund of the Council Member's portion is not taxable to them; however, if the Tribe gives the Council member the Tribe's portion of the refund, then the Tribe's portion is taxable to that Council member and that amount must be reported on a W-2 as wages for the year in which it was paid to that Council member.

If you have any questions, please contact your ITG specialist.

## **Want to Avoid Penalties?**

Are you incurring penalties? Do you want to eliminate penalties in the future?

ITG has a "Helpful Hints to Avoid Penalties" job aid that can assist you.

Order our "Tax Tools for Tribes" CD-Rom via e-mail at [ITG.TaxTools@irs.gov](mailto:ITG.TaxTools@irs.gov).



# Tax News For You!

Individual Tribal Member Information

## Economic Stimulus? What's In It For You?

### **Most Workers Will See Bigger Paychecks This Spring!**

The "Making Work Pay" credit for 2009 and 2010 is a refundable tax credit of up to \$400 (\$800 for working married couples filing jointly). Taxpayers will not get a separate, special check mailed to them from the IRS like last year's economic stimulus payment. Instead, the credit will be reflected as a decrease in withholding on their paychecks, so take-home pay will increase. For people who receive a paycheck, eligible workers will get the benefit of this change without any action on their part. This means that workers don't need to fill out a new Form W-4 (Employee's Withholding Allowance Certificate) to get the "Making Work Pay" credit reflected in their take-home pay. Employers have been provided new income tax withholding tables and they will start using new withholding tables by April 1st. Most workers will see a boost in their take-home pay soon thereafter.

Because the credit is refundable (this means that people can get the money even if they owe no tax), most low-income workers will qualify for the full credit. Many higher-income workers will see little or no change in their take-home pay because the "Making Work Pay" credit begins to phase-out for individuals with modified adjusted gross income (AGI) between \$75,000 and \$95,000 and between \$150,000 and \$190,000 for a married couple filing a joint return.

### **For Retirees and Disabled Individuals. . . The One-Time Economic Recovery Payment**

A one-time payment of \$250 will be made in 2009 to:

- Retirees, disabled individuals and Supplemental Security Income (SSI) recipients receiving benefits from the Social Security Administration.
- Disabled veterans receiving benefits from the U.S. Department of Veterans Affairs.
- Railroad Retirement beneficiaries.

The IRS will not make this payment— unlike last year's economic stimulus program. This payment will be made by the Social Security Administration, the Department of Veterans Affairs and/or the Railroad Retirement Board. There is no action that you need to take—they have all of the information they need to get your payment to you. If you currently receive your benefits by mail, the payment will be mailed to you in late May. If you receive your benefits by direct deposit, your payment should be directly deposited in your bank account in May. This payment does not apply to minor children who receive Social Security payments.

If you have any questions you can visit [www.irs.gov](http://www.irs.gov) and click on the link "Update on Recovery Tax Provisions for Individuals and Businesses."

continued on Page 15 . . . . .



# Tax News For You!

Individual Tribal Member Information

## Economic Stimulus? What's In It For You?

. . . .continued from page 14

### First Time Homebuyers Credit

An \$8,000 credit is now available to eligible first-time homebuyers who purchase a home this year before December 1. A special option is available for claiming the credit on their 2008 returns due April 15, 2009 or on their 2009 returns. This option means money is available now rather than having to wait until next year to claim the tax credit. An additional change available to 2009 first-time homebuyers is that in most circumstances the credit does not have to be paid back. The amount of the credit begins to phase out for taxpayers whose income is more than \$75,000 or \$150,000 for joint filers. More information is available at [www.irs.gov](http://www.irs.gov).

### Sales Tax Deduction for Vehicle Purchases

For vehicle purchases made between February 17, 2009 and the end of 2009, eligible purchasers of new cars, trucks, SUVs, and other qualified vehicles will be able to take a deduction for state and local sales or excise taxes. The deduction is available regardless of whether or not a taxpayer itemizes deductions on Schedule A. The deduction is phased-out for joint filers with incomes between \$250,000 and \$260,000 and other taxpayers between \$125,000 and \$135,000. The deduction is limited to the sales or excise tax on up to \$49,500 of the purchase price of an eligible vehicle.

## Did You Owe Taxes or Get a BIG Refund?

If you owed tax or got a very large refund when you filed your income tax return this year, you can make changes on your Form W-4 to adjust the amount of income tax withholding your employer deducts from your paycheck.

You can calculate the correct amount of withholding on your Form W-4 using the IRS Withholding Calculator so you don't have too much or too little withheld from your pay. Remember that you should not claim more than 10 exemptions on your Form W-4.

If any of the following situations apply to you, you may want to make changes to your W-4:

- Employees who received a very large refund or owed additional taxes at filing time,
- Change in marital status
- Changes to your number of dependents such as the birth of a child or a child leaving home,
- Employees whose spouse also works
- Employees with several children eligible for the Child Tax Credit or Earned Income Tax Credit
- Those with non-wage income who would rather have deductions taken from their wages instead of making quarterly estimated tax payments (for example if you have a small business).

To use the W-4 Calculator visit [www.irs.gov](http://www.irs.gov)



# Tax News For You!

Individual Tribal Member Information

## Advice For Those With Tax Difficulties

The Internal Revenue Service recognizes that many people may be having difficult times financially. If you believe you may have trouble paying your tax bill contact the IRS immediately. There are steps we can take to help ease the burden. Below are some answers to common questions.

### **What if I can't pay my taxes?**

Don't panic. If you cannot pay the full amount of taxes you owe by the April deadline, you should still file your return by the deadline and pay as much tax as you can to avoid penalties and interest. You also should contact the IRS to discuss your payment options at 1-800-829-1040. The IRS may be able to provide some relief such as a short-term extension to pay, an installment agreement or an offer in compromise. In some cases, the IRS may be able to waive penalties. However, the agency is unable to waive interest charges, which accrue on unpaid tax bills.

### **What if I lose my job?**

The loss of a job may create new tax issues. Severance pay and unemployment compensation are taxable. Payments for any accumulated vacation or sick time are also taxable. You should ensure that enough taxes are withheld from these payments or make estimated tax payments to avoid a big bill at tax time. Public assistance and food stamps are not taxable. The IRS has updated a helpful publication that lists a number of job-loss related tax issues. For more information, see Publication 4128, *Tax Impact of Job Loss*.

### **What if a levy on my wages is causing a hardship?**

Contact the IRS at the telephone number listed on the levy notice or other IRS letter immediately and explain your financial situation. Service is available from 8 a.m. to 8 p.m. local time, Monday through Friday. If the levy is creating an immediate economic hardship, the levy may be released. A levy release does not mean you are exempt from paying the balance. The IRS will work with you to establish payment plans or take other steps to help you pay off the balance. To help ensure quick action, please have the fax number available for the bank or employer office that is processing the levy.





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- **Call: Customer Account Services** toll free **877-829-5500**
- **Visit: Indian Tribal Governments** Web site at **[www.irs.gov/tribes](http://www.irs.gov/tribes)**
- **Write: Internal Revenue Service**

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